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**WTO Appellate Body Confirms That Indian Import Restrictions  
Violate WTO Rules**

United States Trade Representative Charlene Barshefsky applauded the report released today by the Appellate Body of the World Trade Organization, which confirmed that India's quantitative restrictions on imports violate the WTO Agreement. The Appellate Body rejected India's appeal of a panel report that had ruled that India's balance-of-payments situation did not justify import restrictions.

"The Appellate Body report once again confirms that countries must act responsibly in utilizing WTO procedures, such as the balance-of-payments provisions, that restrict access to their markets," Ambassador Barshefsky stated. "I hope that India will now adhere to its WTO obligations and open its market. Eliminating these quantitative restrictions will provide market access opportunities for U.S. producers in sectors such as agriculture, textiles and consumer goods, and at the same time will stimulate investment, competition, and economic activity in India."

This Appellate Body ruling reaffirms several important precedents established by the panel report. It confirms that balance-of-payments measures are not immune from review by WTO dispute settlement panels. It also makes clear that countries are obliged to eliminate balance-of-payments restrictions when their balance-of-payments position no longer justifies such measures.

**Background**

India prohibits or severely restricts imports of various industrial, textile and agricultural products. India maintains a "Negative List" of products whose imports are banned, unless an importer gets a case-by-case license from the Indian government. The Negative List includes almost all consumer goods, including food, clothing and household appliances. India also channels imports of some agricultural products through state trading monopolies or "canalizing agencies." In addition, a government requirement banning imports by anyone except "actual users" prevents any imports for resale.

India claimed that this extremely restrictive import regime is permitted by the balance-of-payments provisions of the GATT. In this dispute, the United States challenged India's claim. In a report issued on April 6, 1999, a WTO panel ruled that India's balance-of-payments situation did not justify these restrictions. Among other things, the panel report noted that during India's 1997 consultation with the WTO Balance-of-Payments Committee, the International Monetary Fund stated that India no longer had a balance-of-payments problem that justified these restrictions.

India appealed the panel's findings to the WTO Appellate Body. In its report released today, the Appellate Body rejected each of the arguments that India had raised in its appeal.

These restrictions are the largest barrier to increasing U.S. exports to India. In addition, the Indian restrictions hurt trade from India's developing country trading partners, since they significantly restrict developing country products and tropical products which would be very competitive in the Indian market.

The Office of the United States Trade Representative has worked closely during this WTO litigation with officials of the U.S. Departments of Agriculture, Commerce, and the Treasury.

The Appellate Body report is available on the WTO website at <http://www.wto.org>.